

# **New Orleans Tourism Industry**

## **Blueprint for Economic Recovery & Emergency Funding Request**

### **Pursuant to Damage from Hurricane Katrina**

*Prepared by*  
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**On behalf of and with full authority of  
the \$8 billion New Orleans Tourism Industry,  
our 85,000 employees and 2,500 companies in Eight Parishes**

*Monday, October 17, 2005*

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**This document is prepared as an early stage executive summary of critical funding requested from all federal and state government sources to rebuild the primary economic driver and employer in New Orleans commerce.**

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### **Overview**

The primary catalyst and driver of the New Orleans economy is the tourism industry, comprised of large and small scale association and corporate meetings and conventions, rotations of most of the major national sporting championships, a vast leisure and family destination, large packaged tour series, a popular foreign traveler destination, and many of the most important special events in the nation such as Mardi Gras, the Essence Festival (the world's most important annual African-American culture and music festival), the New Orleans Jazz and Heritage Festival, the French Quarter Festival, Satchmo Fest, the Sugar Bowl and many, many more.

The industry is served by more than 2,500 companies and employs 85,000 people in a parish (county) of less than 500,000 persons. The entire retail, banking, professional and

services industries depend on the more than \$5 billion of annual direct visitor spending and additional several billion dollars of spinoff impact. Not only is the impact direct through visitor spending, but the 85,000 workers employed in the industry are the primary depositors in banks, purchasers of the largest segment of retail goods, and generally drive the overall health of the economy and the success of its large and small businesses.

The return of the tourism industry will determine the very survival of the New Orleans economy not only from the corporation and tax generation perspective, but will be the primary determinant of whether the working people of New Orleans are able to return to the city, reestablish their lives, and bring their families home to live and repopulate the city.

## **Immediate Budgetary Needs**

### **New Orleans Metropolitan Convention and Visitors Bureau**

The New Orleans Metropolitan Convention and Visitors Bureau (NOMCVB) is the primary catalyst and sales, marketing, and branding arm of New Orleans largest industry, tourism. It is a private sector 501(c)(6) company governed by a private board of directors and serves as the statutorily authorized entity in Louisiana to manage and market tourism in New Orleans and is the recipient of state authorized hotel tax funding. It thus performs a vital public function, though a private entity. The city's economy depends on it effective operation.

The NOMCVB is the sole link of the city's largest industry to the international tourism markets, wholesalers, packagers, brokers, tour series operators, travel agents, national and international conventions, meetings, special events, and sporting events representing \$5 to \$8 billion of annual economic impact and resulting in the employment of 81,000 New Orleanians. Most of these employees are in those entertainment and commercial enterprises which brand New Orleans internationally in hotels, food, music, and entertainment and drive its economy.

The NOMCVB is funded by a hotel tax that has now been obliterated and by a member dues base that will be non-existent for at least two years.

The NOMCVB operation must be sustained because its sales manager base has all of the data and relationships to all of the worldwide convention and meeting planning and travel professional community. This is an industry that is primarily relationship driven,

particularly on the convention and meeting side. If those employees are laid off and hired elsewhere, billions of dollars of competitive information and data would leave Louisiana, crippling the entire rebuilding process of New Orleans largest industry. It would likely be a death knell for the city's economy and the early return of its citizens if our employees were lost to competitors.

## Operational Shortfalls and Needs

<b>2005</b>	The NOMCVB has reserves to carry it until Feb 28, 2006	
<b>2006</b>	<b>\$11,000,000 annual operating needed</b>	<b>(anticipated revenue = \$ 1,000,000)</b>
<b>2007</b>	<b>\$ 9,000,000 (anticipating more revenue regained)</b>	
<b>2008</b>	<b>\$ 4,000,000 (final year of impairment)</b>	
<b>2009</b>		
<b>Total NOMCVB <u>operating</u> needs</b>		<b>\$24,000,000 (2.5 years)</b>

## Marketing and Incentives

### Operation REBIRTH marketing fund

Essential marketing dollars for the NOMCVB and its sister the New Orleans Tourism Marketing Corporation to re-image and remarket New Orleans leisure side tourism in light of the catastrophic events....the primary key to rebuilding the 10,000,000 visitors and \$4 billion of combined leisure impact:

<b>2006</b>	<b>\$40,000,000</b>
<b>2007</b>	<b>\$25,000,000</b>

### NOMCVB Convention Marketing Fund:

To rebuild the image of the  
Convention Center and remarket following the  
devastating events and national images

<b>2006</b>	<b>\$5,000,000</b>
<b>2007</b>	<b>\$5,000,000</b>

### NOMCVB Convention Incentive/Indemnification Fund:

To provide incentives and guarantees to major associations  
to remain in or book major conventions in New Orleans

**2006 \$5,000,000**

**2007 \$5,000,000**

**Timeline:** Emergency operational funding to the NOMCVB of \$6,000,000 is needed on March 1, 2006. The second \$6,000,000 is needed on July 1, 2006. Without these dollars, the city's largest economic driver will lay off all of its employees and close its doors, effectively ending economic recovery.

The NOMCVB Convention Marketing Fund of \$ 5,000,000 is needed by January 31, 2006 if the multi-billion dollar base of convention business is to be preserved and recaptured.

The NOMCVB Convention Incentive Fund of \$ 5,000,000 is needed by January 31, 2006 if the multi-billion dollar base of convention business is to be preserved and rebuilt.

The Operation REBIRTH marketing fund of \$40,000,000 for the NOMCVB and its sister the New Orleans Tourism Marketing Organization is needed for January 31, 2006. The 2007 dollars are needed for January 1, 2007.

## **Ernest N. Morial Convention Center**

### Capital Construction Needs

Repair and renovation of the  
Ernest N. Morial Convention Center

**Total \$100,000,000**

**Minimum Insurance Gap of \$25-35,000,000**

*Structural repairs, Halls A & B, major roofing repairs,  
All equipment, interior surfaces, signage, environmental  
decontamination*

**Timeline:** All repairs and renovations must be executed and the building ready to open on April 1, 2006. Insurance coverage will be deducted when determined. Funding needed ASAP.

It is anticipated that the combination of deductibles and gaps in sub-policy coverage will result in a **funding gap of at least \$25-35 million dollars.**

### **Convention Center Operating Needs**

Operating Shortfall for 2005	\$15,000,000
Operating Shortfall for 2006	\$26,000,000
Operating Shortfall for 2007	\$25,000,000

Debt Service Shortfalls due to  
Loss of multiple hotel, occupancy, tour,  
And f&b taxes

2006	\$34,000,000
2007	\$30,000,000

**Timeline:** Debt service issues must be addressed immediately. Operating shortfall for 2005 needed immediately due to loss of rental and other self generated income. Calendar year 2006 funding needed in Quarter 1. Total need in Q1 is \$ 100,000,000.

### **Employee Busing System**

Tens of thousands of New Orleans tourism industry workers have scattered across Louisiana and other states. For those who have remained in the area, a busing system allowing them to return to their jobs in New Orleans, while staying with family and friends in other locations is critical.

Busing stations at centralized convenient locations must be available to transport these workers and return them at the end of the day. These systems must run 18 hours a day from multiple locations. While hotels will carve out 20 % of their inventory for their own employees, there will be many others at the hotel unserved as well as those at restaurant and other venues who will need assistance to get back to work while their homes are being rebuilt or accommodations for them prepared.

<b>2005-2006</b>	<b>\$ 34,000,000</b>
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## **French Quarter Infrastructure Rebuild**

The French Quarter has sustained serious infrastructure damage to its streets, sidewalks and curbing system. The introduction of large trucks, emergency vehicles, military equipment, water tankers, generator systems, and the parking of emergency and police vehicles on the sidewalks and fragile streets has resulted in serious degradation of the area's infrastructure. The nation's largest and most important historic district and mixed use commercial/residential neighborhood has sustained highly problematic damage. It is also the key to recovery of the multi-billion dollar tourism industry. This rebuild must commence in early 2006 to facilitate tourism rebound.

**Capital Construction      \$47,000,000**

## **Priority Keys to Immediate Rebuilding**

Federal funding to jumpstart New Orleans largest industry and employer is critical to accelerate recovery, allow the return of our citizens and rejuvenate tax flow.

### **Funding Needs Timeline**

#### **January 2006**

##### **New Orleans CVB (NOMCVB)**

Operations	\$11,000,000
Convention Marketing Fund	\$ 5,000,000
Convention Incentive Fund	\$ 5,000,000
NOMCVB/NOTMC Leisure Marketing	\$ 40,000,000

##### **Ernest N. Morial Convention Center**

Operations losses 2005-2006	\$41,000,000
Debt Service shortfall	\$34,000,000
Repairs Insurance shortfall	\$25-35,000,000

<b>French Quarter Infrastructure Rebuild</b>	<b>\$47,000,000</b>
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## **Employee Busing System**

Annual operations

\$34,000,000

## **Summary**

America's most romantic, walkable, historic city took quite a blow. But, we believe it will only be for a matter of a very few months. Only time will tell the duration. The birthplace of jazz, home of unique French and Spanish architecture, and the originator of the most renowned cuisine on the planet has truly suffered. But, its government, business and tourism industry leaders are pledging that beginning over the next few months the city will begin its efforts to be reborn better than ever.

The tourism leadership is committed to helping lead the greatest urban rebuilding project in our nation's history. We have a historic opportunity to be a living laboratory for taking disaster, infrastructure degradation, and social ills and rebuilding a new city that remains historic and unique, but is a model for rebirth socially, culturally, and structurally.

The historic French Quarter and nearly all of the hospitality infrastructure survived, though battered. The amazing historic texture and fabric of this unique city...all of those things that draw millions of visitors from around the world resiliently remain.

Though we will be down for a period, there is a sense already forming among our leaders and the people that we will successfully be able to preserve all of those things which have made us world famous, and that we will be able to rebuild an even more welcoming vibrant city in which to live, work and do business. It will require all of us to unite. The work will be hard but gratifying. The challenges are immense. We are up to the task.

It may be quite a while...but one day the riffs of jazz trumpets, the indescribable tempting smells wafting from the kitchens of our great chefs, the aroma of cafe-au-lait and beignets, the buzz of great conventions, that foot-wide magnetic smile of the front bellman, and the romantic strolls through the Quarter will be commonplace again. The spirit of the multicultural people of New Orleans is indefatigable, and though we may be bowed and emotionally stretched, we cannot be defeated and cannot wait to rebuild the world's most authentic city.

**All that is needed to regenerate an annual \$8 billion, 85,000 employee industry, is an investment this January by the federal government of \$161 million of funding for the Convention and Visitors Bureau, the marketing and promotion and reimagining of the city, and the Convention Center. A stunning return on investment and one that will reap billions year after year. Without this funding the industry will wither and atrophy.**

**Another \$47,000,000 is needed to rebuild America's most famous historic and commercial district, the French Quarter.**

**Some \$34,000,000 is crucial to provide temporary transportation systems to assist in bringing tens of thousands of workers back to their hospitality jobs and set the final piece of the recovery puzzle in place.**

**A small part of a \$200 billion recovery, but one that has the most business and human impact of all.**